

WASATCH COUNTY
SPECIAL SERVICE DISTRICT #9
A COMPONENT UNIT OF WASATCH COUNTY

Financial Statements

December 31, 2006

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INDEPENDENT AUDITORS' REPORT

Honorable Administrative Board Members
Wasatch County Special Service District #9
Heber City, Utah

We have audited the accompanying financial statements of the governmental activities and major fund of Wasatch County Special Service District #9 (the District), a component unit of Wasatch County, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of Wasatch County Special Service District #9 as of December 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 11, 2007, on our consideration of Wasatch County Special Service District #9's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance.

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That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages MDA-1 through MDA-5 and page 17 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hawkins Cloward + Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

April 11, 2007

WASATCH COUNTY SPECIAL SERVICE DISTRICT NO. 9

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Wasatch County Special Service District No. 9 (District) we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the year ending December 31, 2006. Please read it in conjunction with the District's financial statements and additional information that we have furnished in this analysis.

FINANCIAL HIGHLIGHTS

- The assets of Wasatch County Special Service District No. 9 exceeded the liabilities as of the close of the most recent year by \$2,116,251 (net assets). Of this amount, \$1,448,484 is invested in capital assets and \$667,767 is restricted for road expenditures.
- In the general fund, expenditures exceeded revenues by \$148,344.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this Management's Discussion and Analysis report, the Independent Auditor's Report and the basic financial statements of the District. This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The balance sheet presents information on all the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flows.

Both the statement of net assets and the statement of activities distinguish functions of the District that are principally supported by mineral lease grants from the Utah Department of Community & Economic Development. The governmental activities of the District include general government and administration of the acquisition and construction of major capital facilities and of the expenditures for land, improvements on the land, and equipment intended to have long-term beneficial use.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has two governmental funds. A general fund and a capital projects fund.

WASATCH COUNTY

SPECIAL SERVICE DISTRICT NO. 9

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

Please refer to the table of contents for the location of the basic governmental fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financing statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's general fund budget analysis.

Additional auditor reports and schedules for the District are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Wasatch County Special Service District No. 9, total assets exceed total liabilities by \$2,116,251 at the close of December 31, 2006.

\$667,767 of the District's net assets represent resources that are subject to external restriction on how they may be used. The remaining balance of net assets, \$1,448,484 is invested in capital assets.

As of December 31, 2006 the District is able to report positive balances in all categories of net assets.

WASATCH COUNTY SPECIAL SERVICE DISTRICT NO. 9

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

| | 2006 | 2005 |
|-------------------------------------------------|----------------------------|----------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 487,047 | \$ 640,440 |
| Accounts receivable | 180,720 | 175,705 |
| Capital assets, net | <u>1,448,484</u> | <u>722,323</u> |
| Total assets | \$ <u>2,116,251</u> | \$ <u>1,538,468</u> |
| Liabilities | | |
| Accounts payable | \$ _____ | \$ _____ 34 |
| Total Liabilities | \$ <u>_____ 0</u> | \$ <u>_____ 34</u> |
| Net Assets | | |
| Invested in Capital Assets, Net of Related Debt | \$ 1,448,484 | \$ 722,323 |
| - Restricted | <u>667,767</u> | <u>816,111</u> |
| Total Net Assets | \$ <u>2,116,251</u> | \$ <u>1,538,434</u> |

Government-wide Activities

The District receives general revenues from mineral lease grants from the Utah Department of Community & Economic Development. The District also receives general revenue from the interest in a Public Treasurers Investment Fund (PTIF). See the Statement of Activities for the types of revenues. Total Net Assets increased by \$577,817. Interest revenues increased by \$7,360 because of the increased cash in the PTIF. The District purchased \$907,837 of equipment during the year and paid lease and rental payments on equipment in the amount of \$82,254. The District booked a depreciation expense of \$179,329. The District's total expenses of \$276,876 were for road expenses.

WASATCH COUNTY SPECIAL SERVICE DISTRICT NO. 9

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

| | 2006 | 2005 |
|-----------------------------|---------------------|---------------------|
| Revenues: | | |
| Receipts from State of Utah | \$ 829,165 | \$ 609,096 |
| Interest Revenue | <u>25,528</u> | <u>18,168</u> |
| Total Revenues | <u>854,693</u> | <u>627,264</u> |
| Expenses: | | |
| Equipment Lease | 82,254 | 51,060 |
| Services & Fees | 12,946 | 8,735 |
| Depreciation Expense | 179,329 | 119,164 |
| Interest Expense | 0 | 2,541 |
| Capital gain/ (loss) | <u>2,347</u> | <u>0</u> |
| Total Expenses | <u>276,876</u> | <u>181,500</u> |
| Change in net assets | 577,817 | 445,764 |
| Net assets - beginning | <u>1,538,434</u> | <u>1,092,670</u> |
| Net assets - ending | <u>\$ 2,116,251</u> | <u>\$ 1,538,434</u> |

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

At the end of the year 2006, Wasatch County Special Service District No. 9's governmental funds reported an ending fund balance of \$667,767 all of which is reserved for road projects. The general fund was the chief operating fund of the District.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total expenditures were under budget \$16,054. Revenues were under budget by (\$30,445). The increase in the adjusted budget over the original budget in revenues of \$300,638 is mainly due to the estimated increase in State mineral lease funds of \$286,138 and the estimated increase in interest earned on the PTIF (Public Treasurer's Investment Fund) of \$14,500 during the year. The increase in expenditures from the original budget is mainly due to the estimated increase in service and fees of \$3,000 and an increase in equipment expense of \$6,950, as well as additional approved equipment purchases during the year.

WASATCH COUNTY SPECIAL SERVICE DISTRICT NO. 9

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The general fund was used to account for the costs incurred in procuring equipment necessary for the maintaining of County roads for the safety and welfare of it's citizens. A capital projects fund has been created to account for these funds. No transfers were made into the capital projects fund during 2006. Net capital assets for governmental activities had a beginning balance as of January 1, 2006 of \$722,323 and an ending balance as of December 31, 2006 of \$1,448,484.

Leases

The District entered into a year-to-year equipment rental agreement with Wheeler Machinery for \$7,500 a year and three five year operating leases with Caterpillar Financial Services Corp. for \$20,393, \$24,467, and \$29,007 a year, totaling yearly payments of \$81,367 for equipment.

Long-term Debt

The District approved storage and office buildings to be built in 2007 that will incur debt in the amount of \$2,209,053. This debt will be financed mainly with a loan from Zions Bank Public Finance in the amount of \$1,988,109 over a five year period at 4.72% interest. The remaining \$220,944 will be funded by mineral lease funds from the State of Utah.

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to provide a general overview of the Wasatch County Special Service District No. 9's finances for all those with an interest in the District's finances. If you have questions about this report or need additional information, contact the Wasatch County Special Service District No. 9 finance office at 55 South 500 East #118, Heber City, Utah 84032.

FINANCIAL STATEMENTS

The financial statements include integrated sets of financial statements as required by accounting principles generally accepted in the United States of America. The statements include:

Government-wide financial statements

Fund financial statements – governmental fund

WASATCH COUNTY SPECIAL SERVICE DISTRICT #9

A COMPONENT UNIT OF WASATCH COUNTY

Government-wide Statement of Net Assets

December 31, 2006

With Comparative Totals for December 31, 2005

| | | Governmental Activities | |
|----------------------------------|----|-------------------------|---------------------|
| | | 2006 | 2005 |
| ASSETS | | | |
| Cash and cash equivalents | \$ | 487,047 | \$ 640,440 |
| Accounts receivable | | 180,720 | 175,705 |
| Capital assets, net | | 1,448,484 | 722,323 |
| Total assets | \$ | <u>2,116,251</u> | <u>\$ 1,538,468</u> |
| LIABILITIES | | | |
| Accounts payable | | | \$ 34 |
| Total liabilities | \$ | <u>-0-</u> | <u>\$ 34</u> |
| NET ASSETS | | | |
| Invested in capital assets | \$ | 1,448,484 | \$ 722,323 |
| Restricted for road expenditures | | 667,767 | 816,111 |
| Total net assets | \$ | <u>2,116,251</u> | <u>\$ 1,538,434</u> |

WASATCH COUNTY SPECIAL SERVICE DISTRICT #9
A COMPONENT UNIT OF WASATCH COUNTY
Government-wide Statement of Activities
 For the Year Ended December 31, 2006
 With Comparative Totals for the Year Ended December 31, 2005

| Program Activities | Expenses | Program Revenues | | | Net (Expense) Revenues and Changes in Net Assets | 2005 |
|--------------------------------|------------|--------------------------------------------|------------------------------------------|----------------------------------------|-----------------------------------------------------------|--------------|
| | | Fees, Fines and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | | |
| Governmental Activities | | | | | | |
| Roads | \$ 276,876 | \$ - 0 - | \$ 829,165 | \$ - 0 - | \$ 552,289 | \$ 427,596 |
| General Revenues | | | | | | |
| Interest income | | | | | 25,528 | 18,168 |
| Change in net assets | | | | | 577,817 | 445,764 |
| Net assets beginning of year | | | | | 1,538,434 | 1,092,670 |
| Net assets end of year | | | | | \$ 2,116,251 | \$ 1,538,434 |

WASATCH COUNTY SPECIAL SERVICE DISTRICT #9

A COMPONENT UNIT OF WASATCH COUNTY

Governmental Fund Balance Sheet

December 31, 2006

With Comparative Totals for December 31, 2005

| | General | |
|-------------------------------------|-------------------|-------------------|
| | 2006 | 2005 |
| ASSETS | | |
| Cash and cash equivalents | \$ 487,047 | \$ 640,440 |
| Accounts receivable | 180,720 | 175,705 |
| Total assets | <u>\$ 667,767</u> | <u>\$ 816,145</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities | | |
| Accounts payable | \$ -0- | \$ 34 |
| Total liabilities | <u>-0-</u> | <u>34</u> |
| Fund Balance | | |
| Reserved for road projects | 667,767 | 816,111 |
| Total fund balance | <u>667,767</u> | <u>816,111</u> |
| Total liabilities and fund balance | <u>\$ 667,767</u> | <u>\$ 816,111</u> |

WASATCH COUNTY SPECIAL SERVICE DISTRICT #9
A COMPONENT UNIT OF WASATCH COUNTY
Reconciliation of the Governmental Fund Balance Sheet to the
Government-wide Statement of Net Assets
December 31, 2006

| | |
|----------------------------------------|------------|
| Total fund balance – governmental fund | \$ 667,767 |
|----------------------------------------|------------|

Amounts reported for the governmental activities in the Government-wide Statement of Net Assets are different due to the following:

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental fund balance sheet. | 1,448,484 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

| | |
|---------------------------------------|---------------------|
| Net assets of governmental activities | <u>\$ 2,116,251</u> |
|---------------------------------------|---------------------|

WASATCH COUNTY SPECIAL SERVICE DISTRICT #9
A COMPONENT UNIT OF WASATCH COUNTY
Statement of Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended December 31, 2006
With Comparative Totals for the Year Ended December 31, 2005

| | General | |
|---------------------------------------------------|-------------------|-------------------|
| | 2006 | 2005 |
| Revenues | | |
| Mineral lease funds | \$ 784,027 | \$ 565,267 |
| Payment in lieu of taxes | 45,138 | 43,829 |
| Interest | 25,528 | 18,168 |
| Total revenues | <u>854,693</u> | <u>627,264</u> |
| Expenditures | | |
| Equipment | 82,254 | 51,060 |
| Service fees | 12,946 | 8,735 |
| Capital outlay | 907,837 | 189,593 |
| Debt service | | |
| Principal | | 314,182 |
| Interest | | 5,675 |
| Total expenditures | <u>1,003,037</u> | <u>569,245</u> |
| Excess (deficiency) of revenues over expenditures | (148,344) | 58,019 |
| Fund balance beginning of year | <u>816,111</u> | <u>758,092</u> |
| Fund balance end of year | <u>\$ 667,767</u> | <u>\$ 816,111</u> |

WASATCH COUNTY SPECIAL SERVICE DISTRICT #9

A COMPONENT UNIT OF WASATCH COUNTY

**Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and
Changes in Fund Balance to the Government-wide Statement of Activities**

For the Year Ended December 31, 2006

| | |
|-----------------------------------------------|--------------|
| Net change in fund balances governmental fund | \$ (148,344) |
|-----------------------------------------------|--------------|

Amounts reported for the governmental activities in the Statement of Activities are different due to the following:

Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities and Changes in Net Assets, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.

907,837

Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.

(179,329)

Loss on disposal of capital assets is reported in the Government-wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources. Therefore, this loss is not reported as an expenditure in governmental funds.

(2,347)

| | |
|-------------------------------------------------|-------------------|
| Change in net assets of governmental activities | <u>\$ 577,817</u> |
|-------------------------------------------------|-------------------|

NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements are included to provide information that is essential to a user's understanding of the financial statements.

**WASATCH COUNTY
SPECIAL SERVICE DISTRICT #9**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements and notes are representations of Wasatch County Special Service District #9's management, which is responsible for their integrity and objectivity. They have been prepared in conformity with generally accepted accounting principles in the United States of America as prescribed by the Governmental Accounting Standards Board and present the financial position and the results of operations as of December 31, 2006, and for the year then ended. This summary of significant accounting policies of the District is presented to assist in understanding the financial statements.

Reporting Entity

Wasatch County Special Service District #9 (the District) has been determined to be a governmental fund type. The District was established to receive mineral lease revenues from the State of Utah. The mineral lease funds are restricted to expenditures on roads and road activities.

Component Unit

Under the guidelines established by GASB 39, the District has been determined to be a component unit of Wasatch County for financial reporting purposes and is included as a discrete component unit in the County's financial statements.

No other entities are considered to be component units of the District.

Basis of Presentation

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the District. The Statement of Activities demonstrates the degree to which the direct expenses of the given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Interest income and other items not properly included among program revenues are reported instead as general revenues.

**WASATCH COUNTY
SPECIAL SERVICE DISTRICT #9**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Governmental funds are those funds through which most of the governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

General Fund

The General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund. The General Fund is the only major fund of the District.

Capital Projects Fund

The Capital Projects Fund is used to account for funds received and expended for the acquisition or construction of capital facilities, improvements, and equipment. To date, the District has not transferred any funds into the Capital Projects Fund, nor expended any funds from it; therefore, the District has not presented this fund in the financial statements.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

**WASATCH COUNTY
SPECIAL SERVICE DISTRICT #9**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus/Basis of Accounting (Continued)

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the balance sheet and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers amounts collected within 60 days after year end to be available. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Accounts Receivable

The District's receivables consist of the quarterly payment of mineral lease funding. The District believes the receivable will be collected; therefore, the District has not recorded an allowance for doubtful accounts. The policy for determining when receivables are past due is based on the most recent payments received.

Capital Assets

Capital assets are only reported in the government-wide financial statements. Capital assets are stated at cost for items purchased by the District and at estimated fair market value at the date of contribution, for items contributed to the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized.

**WASATCH COUNTY
SPECIAL SERVICE DISTRICT #9**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Depreciation is computed using the straight-line method. All of the District's capital assets are equipment, and the useful lives are five to twelve years.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the income for the period.

See Note 4 for additional information.

Budgeting

The District's governing board adopts a budget for each year prior to the beginning of the year. These budgets are amended during the year, as the board deems necessary, to accommodate current operations, and are accepted by official vote of the board. The board amended the budget for the year ended December 31, 2006.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters for which the District retains the risk of loss. The District has insurance through Wasatch County. As of December 31, 2006 no claims have been made. For insured programs there were no significant reductions in coverage from the prior year, and settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**WASATCH COUNTY
SPECIAL SERVICE DISTRICT #9**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The District defines cash and cash equivalents as all deposits in its checking account, and all highly liquid debt instruments purchased with a maturity of three months or less. See Note 2 for additional information.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District first utilizes restricted resources to finance qualifying activities.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments for local government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council (the Council). Following are discussions of the District's exposure to various risks related to its cash management activities.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2006, none of the District's bank balance of \$1,110 was uninsured and uncollateralized.

**WASATCH COUNTY
SPECIAL SERVICE DISTRICT #9**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended December 31, 2006, the District had investments of \$485,937 with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investment only in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

NOTE 3 – ECONOMIC DEPENDENCY

Wasatch County Special Service District #9 is economically dependent on the mineral lease funding from the State of Utah. The District received nearly one-hundred (100) percent of its revenues from the mineral lease funding.

**WASATCH COUNTY
SPECIAL SERVICE DISTRICT #9**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 is as follows:

| | Balance 12/31/2005 | Additions | Deletions | Balance 12/31/2005 |
|------------------------------------------|-----------------------|-------------------|--------------------|-----------------------|
| Capital assets, being depreciated | | | | |
| Equipment | \$ 1,158,604 | \$ 923,837 | \$ (32,250) | \$ 2,050,191 |
| Total capital assets, at historical cost | <u>1,158,604</u> | <u>923,837</u> | <u>(32,250)</u> | <u>2,050,191</u> |
| Less accumulated depreciation | | | | |
| Equipment | (436,281) | (179,329) | 13,903 | (601,707) |
| Total accumulated depreciation | <u>(436,281)</u> | <u>(179,329)</u> | <u>13,903</u> | <u>(601,707)</u> |
| Capital assets, net | <u>\$ 722,323</u> | <u>\$ 744,508</u> | <u>\$ (18,347)</u> | <u>\$ 1,448,484</u> |

NOTE 5 – OPERATING LEASE

The District entered into a five year operating lease with Caterpillar Financial Services Corp. on June 6, 2002 to lease a Caterpillar 140H Motor Grader. The lease requires annual payments of \$24,467.

The District entered into a five year operating lease with Caterpillar Financial Services Corp. on December 8, 2003 to lease a Caterpillar 950 G Wheel Loader. The lease requires annual payments of \$20,393.

The District entered into a five year operating lease with Caterpillar Financial Services Corp. on February 23, 2006 to lease a Caterpillar 143H Grader with a snow wing and plow. The lease requires annual payments of \$29,007.

**WASATCH COUNTY
SPECIAL SERVICE DISTRICT #9**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 5 – OPERATING LEASE (CONTINUED)

The total lease expense for 2006 was \$82,254. Minimum future lease payments required under these operating lease agreements are as follows:

| Year Ended December 31 | Payment |
|---------------------------|-------------------|
| 2007 | \$ 49,400 |
| 2008 | 29,007 |
| 2009 | 29,007 |
| 2010 | 29,007 |
| Total | <u>\$ 136,421</u> |

NOTE 6 – SUBSEQUENT EVENTS

The District entered into a five year operating lease with Caterpillar Financial Services Corp. on February 2, 2007 to lease a Caterpillar Wheel Loader. The lease requires annual payments of \$32,785.

In January 2007, the District entered into an agreement with Home Land Construction to construct three structures for use as vehicle storage, maintenance, and office facilities. The District financed \$1,988,109 with Zions Bank to fund the project. Total project costs are estimated to be \$2,209,053. Mineral lease receipts will be used to fund the additional costs.

On March 21, 2007, the District purchased a garbage truck with a snow plow at a cost of \$193,798.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by generally accepted accounting principles in the United States of America, but are not considered a part of the financial statements. Such information includes:

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund

WASATCH COUNTY SPECIAL SERVICE DISTRICT #9
A COMPONENT UNIT OF WASATCH COUNTY
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund
For the Year Ended December 31, 2006
With Comparative Totals for the Year Ended December 31, 2005

| | Original Budget | Amended Budget | Actual Amounts | Variance with Budget Positive (Negative) | 2005 Actual |
|------------------------------------------------------|--------------------|-------------------|-------------------|------------------------------------------------|-------------------|
| Revenues | | | | | |
| Mineral lease funds | \$ 530,000 | \$ 815,000 | \$ 784,027 | \$ (30,973) | \$ 565,267 |
| Payment in lieu of taxes | 44,000 | 45,138 | 45,138 | | 43,829 |
| Interest | 10,500 | 25,000 | 25,528 | 528 | 18,168 |
| Total revenues | <u>584,500</u> | <u>885,138</u> | <u>854,693</u> | <u>(30,445)</u> | <u>627,264</u> |
| Expenditures | | | | | |
| Equipment | 76,050 | 83,000 | 82,254 | 746 | 51,060 |
| Service fees | 10,000 | 13,000 | 12,946 | 54 | 8,735 |
| Capital outlay | 420,380 | 923,837 | 907,837 | 16,000 | 189,593 |
| Debt service | | | | | |
| Principal | | | | | 314,182 |
| Interest | | | | | 5,675 |
| Total expenditures | <u>506,430</u> | <u>1,019,837</u> | <u>1,003,037</u> | <u>16,800</u> | <u>569,245</u> |
| Excess (deficiency) of revenues over expenditures | 78,070 | (134,699) | (148,344) | <u>\$ (13,645)</u> | 58,019 |
| Fund balance, beginning of year | <u>816,111</u> | <u>816,111</u> | <u>816,111</u> | | <u>758,092</u> |
| Fund balance, end of year | <u>\$ 894,181</u> | <u>\$ 681,412</u> | <u>\$ 667,767</u> | | <u>\$ 816,111</u> |

ADDITIONAL AUDITORS' REPORTS

These additional reports are required by *Government Auditing Standards* and the Utah State Auditor's Office, respectively.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Administrative Board Members
Wasatch County Special Service District #9
Heber City, Utah

We have audited the accompanying financial statements of the governmental activities and major fund of Wasatch County Special Service District #9 (the District), a component unit of Wasatch County, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 11, 2007. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Wasatch County Special Service District #9's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and responses as items 06-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Wasatch County Special Service District #9's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, pass-through entities and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins Cloward + Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

April 11, 2007

**WASATCH COUNTY SPECIAL
SERVICE DISTRICT #9**

A COMPONENT UNIT OF WASATCH COUNTY

Schedule of Findings

December 31, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Wasatch County Special Service District #9.
2. There was one reportable condition, as described in finding 06-1, relating to the audit of the financial statements as reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. There were no instances of noncompliance required to be reported under *Government Auditing Standards*.

B. FINDINGS — FINANCIAL AUDIT CURRENT YEAR

06-1 Finding: Fund Accounting

While conducting the audit we noted that the records of the District were not being recorded under the correct basis of accounting. The State Accounting Manual guidelines require General Funds to use the modified accrual basis of accounting.

Recommendation:

We recommend the District record their accounting transactions using the modified accrual basis of accounting.

District's Response:

We agree with the finding and will implement the recommendation, insofar as possible.

C. CURRENT YEAR STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings.



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UTAH STATE COMPLIANCE REPORT BASED ON THE REQUIREMENTS, SPECIAL TESTS, AND PROVISIONS REQUIRED BY THE STATE OF UTAH'S LEGAL COMPLIANCE AUDIT GUIDE

Honorable Administrative Board Members
Wasatch County Special Service District #9
Heber City, Utah

We have audited the financial statements of the governmental activities and major fund of Wasatch County Special Service District #9 (the District), a component unit of Wasatch County, for the year ended December 31, 2006, and have issued our report thereon dated April 11, 2007. As part of our audit, we have audited Wasatch County Special Service District #9's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to its major State assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2006. The District received the following major assistance program from the State of Utah:

Mineral Lease Distribution to County Special Service Districts (DOT, Administration)

The District did not receive any non-major State grants.

Our audit also included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Special Districts
- Other General Issues

The management of Wasatch County Special Service District #9 is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the

United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Wasatch County Special Service District #9, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended December 31, 2006.

This report is intended solely for the information and use of management, pass-through entities and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins Cloward + Simister, LC

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CERTIFIED PUBLIC ACCOUNTANTS

April 11, 2007